

# Annual Results Presentation

Year ended 30 June 2021

FY 2021

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# Introduction



# FY 2021 Highlights



**+19.2%**

**Total Sales Growth  
(£510.1m)**



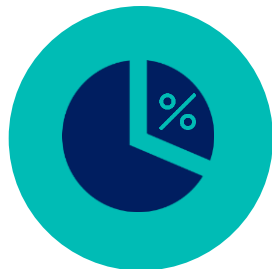
**+17.4%**

**Like-for-Like  
Sales Growth<sup>1</sup>**



**+37.3%**

**Adjusted EBITDA<sup>2</sup>  
(£97.5m)**



**19.1%**

**Adjusted EBITDA<sup>2</sup>  
Margin**



**10.2%**

**Increase in  
Veterinary Surgeons Employed**



**8.3%**

**Vet Vacancy Rate  
Reflects new roles for growth**

<sup>1</sup> Like-for-like sales are defined as revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2019, revenue is included in the like-for-like calculations from September 2020.

<sup>2</sup> Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.

# Growth Achieved Through Our Integrated Model

## Core First-opinion practices focusing on clinical care



### Referrals benefitting from:

- Increase in cases referred
- Increase in revenue



### Laboratories benefitting from:

- Increase in diagnostic tests
- Increase in analyser revenue
- Increase in total revenue



### Crematoria providing compassionate end-of-life care:

- New approach gives clients time to reflect on the most appropriate way to commemorate their deceased pet
- Increase in individual cremations
- Increase in revenue

# Strong Tailwinds In The UK Pet Care Sector

## A Growing pet population

Market growth benefitting from lifestyle changes from the COVID-19 pandemic, with **3.2m UK households buying a pet during the pandemic**<sup>1</sup>

## Advances in veterinary care

Advances in science and veterinary care offering pet owners more treatments for their animals, **58% of dogs and 41% of cats have some form of insurance**<sup>2</sup>

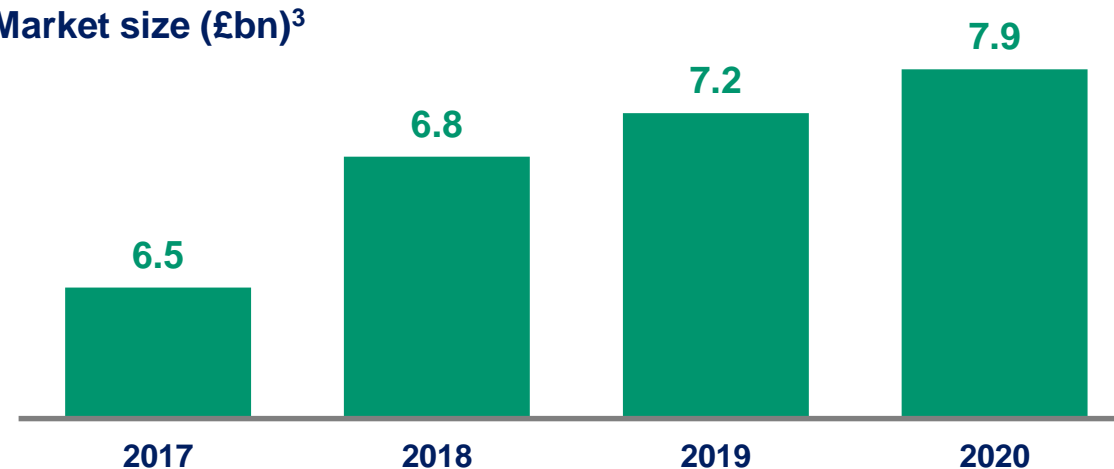
## Humanisation of pets

Humanisation of pets in recent years as companion animals are 'part of the family'. Increased willingness to spend more on high quality care

## Online purchasing

Convenience and competitive pricing driving switch to online purchasing of pet food by customers

## Market size (£bn)<sup>3</sup>



<sup>1</sup> PFMA 2021

<sup>2</sup> PDSA 2020 PAW report

<sup>3</sup> <https://www.statista.com/statistics/308266/consumer-spending-on-pets-and-related-products-in-the-united-kingdom-uk/>

## Favourable outcomes

- Our companion animal average monthly new client registrations have increased by c.23% in FY 2021 compared to FY 2020 (c.17% growth in H1 2021 vs. H1 2020)
- Overall increase of c.8% in active patients in FY 2021 vs. FY 2020 – translates to medium term growth benefit when new puppies and kittens reach mature adult stage and naturally require increased veterinary care

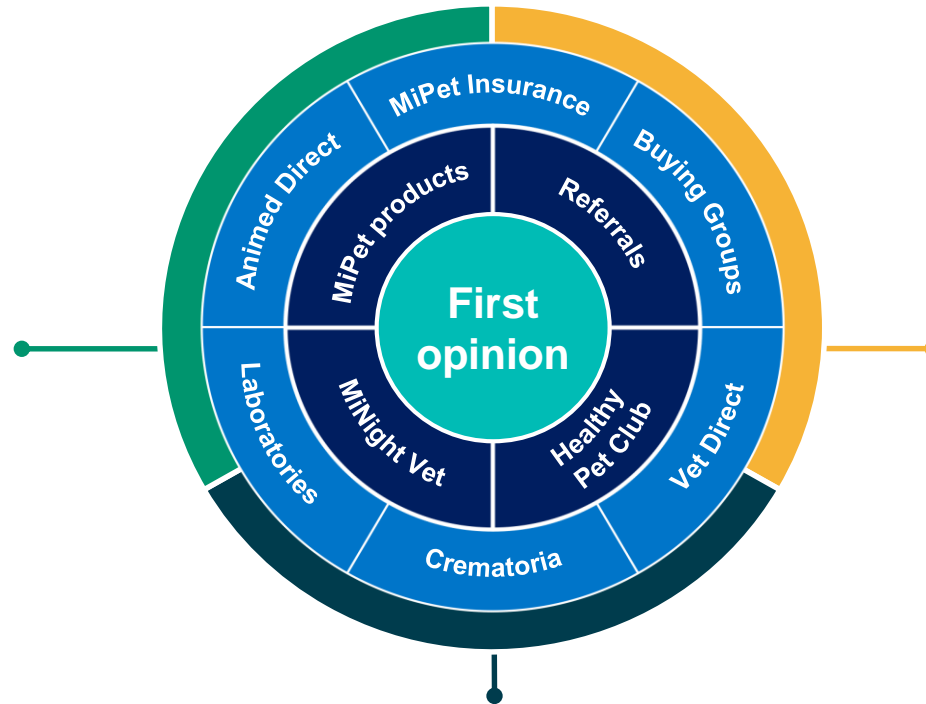


# Our Integrated Model Positions Us Well To Benefit From Tailwinds...

A *highly cash generative* business with *strong growth prospects*

## A vertically integrated platform with veterinary practices at our core

- Strong barriers to entry
- High quality integrated clinical care
- Scale benefits



## Operating in a sizeable and growing market with resilient characteristics

- Increased population of pets
- Consumers willing to spend more
- Recurring robust revenues

## Supplemented by prudent capital allocation

**Investment** in new facilities and equipment, and increase in clinical specialists, to drive organic growth

**Progressive dividend policy**  
Final dividend of 6.5p per share proposed for FY 2021

Opportunity for accretive **acquisitions**



# We Continue To Focus On Four Strategic Pillars

**1**

**We recommend and provide the best clinical care every time**



- Continued focus on end to end care through our integrated model – all divisions reporting sales and EBITDA growth
- Offering clients choices and recommendations leads to informed and excellent clinical care

**2**

**We are a great place to work and have a career**



- Success in recruiting vets with 10.2% more employed in FY 2021 versus FY 2020
- An increase in eNPS<sup>1</sup>
- To service increased demand we have a number of new clinical roles advertised

**3**

**We provide great facilities and equipment**



- Continued investment in practice facilities – 13 practice refurbishments / relocations in FY 2021
- Continued investment in clinical equipment supports clinical care and retention and recruitment of vets and nurses

**4**

**We take our responsibilities seriously**



- Refreshed Sustainability and ESG approach
- Commitment to UN Sustainability Development Goals

# Sustainability and ESG – Care at our Heart

## Commercial approach adopted to ESG – virtuous circle of benefits to all stakeholders



- Our people are rightly the starting point and are key to our future success
- We care passionately about treating animals and raising clinical standards
- Providing care to animals in our local communities improves clients' wellbeing
- By operating a sustainable and well run business, we will deliver increased value to all stakeholders
- Our approach is underpinned by those UN Sustainability Development Goals which have the most relevance to our business





# Financial Review



# Financial Summary

|   | FY 21          | FY 20          | Variance       |
|---|----------------|----------------|----------------|
| <b>Revenue</b>                                | <b>£510.1m</b> | <b>£427.8m</b> | <b>+19.2%</b>  |
| LFL revenue growth <sup>1</sup>               | +17.4%         | +0.7%          | +16.7ppts      |
| <b>Adjusted EBITDA<sup>1,2</sup></b>          | <b>£97.5m</b>  | <b>£71.0m</b>  | <b>+37.3%</b>  |
| EBITDA Margin <sup>1,2</sup>                  | 19.1%          | 16.6%          | +2.5ppts       |
| Free cash flow                                | £39.0m         | £55.4m         | -£16.4m        |
| Business operating cash conversion            | 60.6%          | 101.3%         | -40.7ppts      |
| <b>Underlying free cash flow</b>              | <b>£56.0m</b>  | <b>£38.4m</b>  | <b>+£17.6m</b> |
| Underlying Business Operating cash conversion | 78.1%          | 77.3%          | +0.8ppts       |
| Leverage <sup>1,2</sup>                       | 0.68x          | 1.14x          | -0.46          |
| <b>Adjusted EPS<sup>1,2</sup></b>             | <b>75.1p</b>   | <b>42.0p</b>   | <b>+78.8%</b>  |
| Capital expenditure                           | £16.6m         | £12.4m         | +£4.2m         |
| Cost of acquisitions made in year             | £19.4m         | £7.2m          | +£12.2m        |



# Revenue Growth

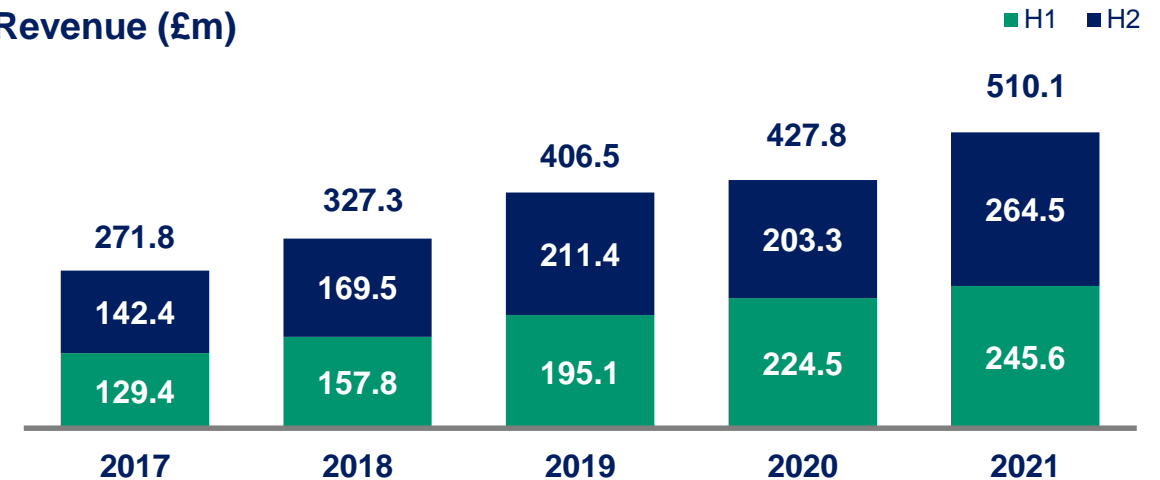
## Strong revenue performance

- FY 2021 revenue up +19.2% to £510.1m (CAGR: 12.0%)
- LFL revenue growth of +17.4% (FY 2020: +0.7%)
- Q4 FY 2020 impacted by first COVID-19 lockdown
- Current year acquisitions contributed +£6.1m / +1.4ppts of FY growth

## Growth across all divisions

- **Veterinary practices** benefitting from:
  - Continued focus on delivering quality clinical care
  - All divisions benefitting from our integrated model
  - Growth of Healthy Pet Club
  - Companion Animal price rise delayed during the year
- **Laboratories** receiving increased demand for diagnostic tests from focus on patient care in first-opinion practice
- **Crematoria** reflecting closer collaboration with first-opinion practices to drive improved client service and increased individual cremations
- **Online Retail business** benefitting from increasing demand for pet food online

## Revenue (£m)



## Year on Year Revenue Growth (£m)

**+18.0%**  
Veterinary Practices

**+32.7%**  
Laboratories

**+11.1%**  
Crematoria

**+29.9%**  
Online Retail business



Note: Percentages stated gross of intercompany elimination



# EBITDA Growth

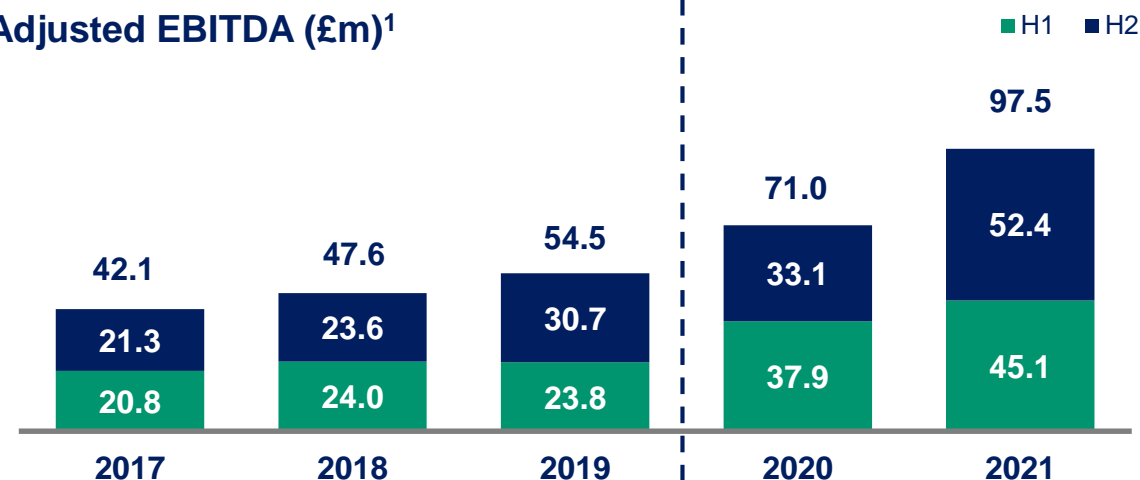
## Double digit EBITDA growth

- FY revenue +19.2% to £510.1m
- EBITDA margin improvement of +2.5ppts to 19.1% (FY 2020:16.6%).
- Margin benefitted from c.£2m RDEC claim, our first under the scheme
- FY 2021 EBITDA +37.3% to £97.5m (FY 2020: £71.0m)

## EBITDA margin improvement

- Gross margin stable at 76.1% (FY 2020: 75.5%)
- Employment cost as a percentage of revenue stable:
  - at 49.0% (FY 2020: 49.9%)
  - additional investment to support revenue, with the Group employing 10.2% more veterinary surgeons
- Increase in central overhead costs which included cost for COVID-19, one-off property surveys and professional fees
- EBITDA margin increased from collegiate working across the group leading to all divisions benefitting from favourable market trends and focus on clinical care

## Adjusted EBITDA (£m)<sup>1</sup>



<sup>1</sup> 2017 – 2019 years based on pre IFRS 16 numbers

## Year on Year EBITDA Growth (£m)

**+36.1%**  
Veterinary Practices

**+56.9%**  
Laboratories

**+12.0%**  
Crematoria

**+16.0%**  
Online Retail business



Note: Divisional EBITDA growth before head office costs

# Highly Cash Generative

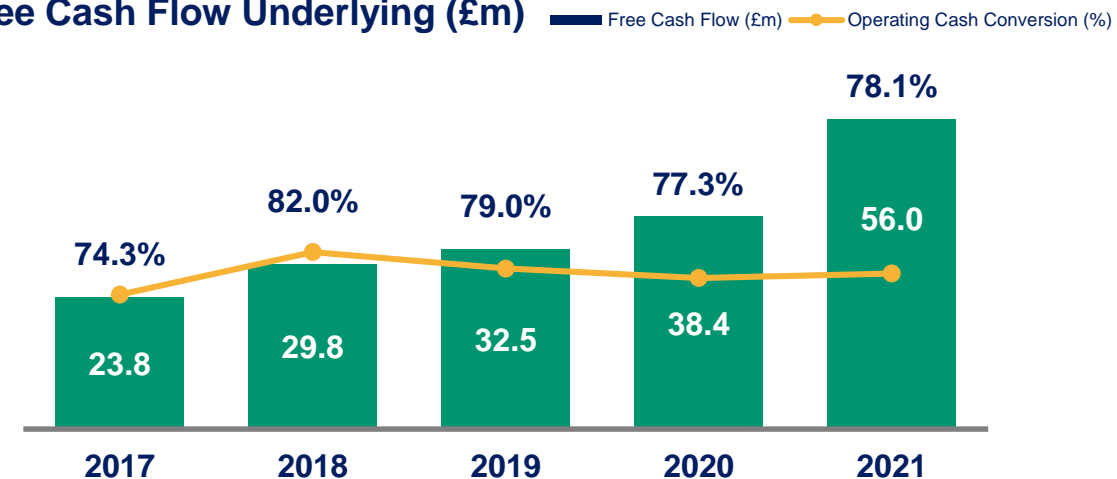
## Strong underlying Free cash flow

- Underlying Free cash flow increased by £17.6m in the year to £56.0m from £38.4m with underlying high operating cash conversion % maintained at 78.1%:
  - Adjusted EBITDA increase of £26.5m; offset by
  - Increase in deferred consideration payments of £7.7m largely relating prior period acquisitions; and
  - Increase in taxation paid of £3.5m from increase in profit before tax
- Reported Free cash flow adjusted to underlying to reflect £15.0m of VAT under the COVID-19 VAT deferral scheme and £2.0m of taxes in the Netherlands deferred from the prior year, paid in the current year

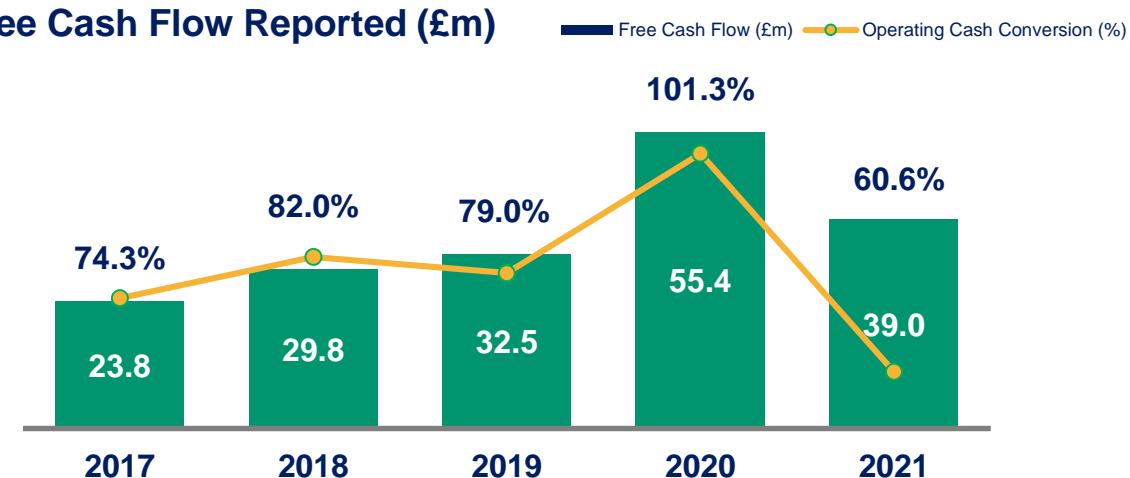
## Net cash flow

- Net cash flow of £12.2m (2020: £9.0m) includes £8.4m (2020: £3.7m) of investment capital expenditure and £19.4m (2020: £7.2m) cost of acquisition
- Net bank borrowings reduced from £63.5m to £51.3m

## Free Cash Flow Underlying (£m)



## Free Cash Flow Reported (£m)



# Capital Allocation Prioritised By Returns Available



## Strong balance sheet

**£170<sub>m</sub>**

Committed  
facilities to 2024

**0.68<sub>x</sub>**

Leverage



## High underlying cash conversion

**78.1%**

Underlying Operating  
cash conversion

**£56.0<sub>m</sub>**

Underlying Free  
cash flow



## Investment opportunities

**£19.4<sub>m</sub>**

Acquisitions

**£16.6<sub>m</sub>**

Capex

**Progressive Dividend Policy (6.5p Final dividend proposed for FY 2021)**

# Investment for Growth



Broad range of investment opportunities delivering consistent returns

Organic

Inorganic

## People

- Pay review
- Remuneration structure
- Additional Holiday
- Wellbeing Hub
- Learning and Education
- Thank You Holiday
- Vouchers
- Maternity pay

## Practices and Equipment

- Relocations
- Refurbishments
- Clinical Equipment to support clinical care
- Greenfield opportunity
- Bristol Veterinary Specialists

## Technology

- Warehouse management system
- Digital imaging
- Digital laboratory
- Online booking system
- Centralised call centre
- Expanding and upgrading back end systems and infrastructure to support long term growth



## Acquisitions

- Nine acquisitions in year
- Further acquisition since the year end:
  - Small animal focus, allowing us to access the benefits of our fully integrated model
  - Performance in line with / above business cases
- Strengthening pipeline of acquisition opportunities



# Strategic and Operational Update





# We Are Leveraging Our Integrated Model To Provide Great Care

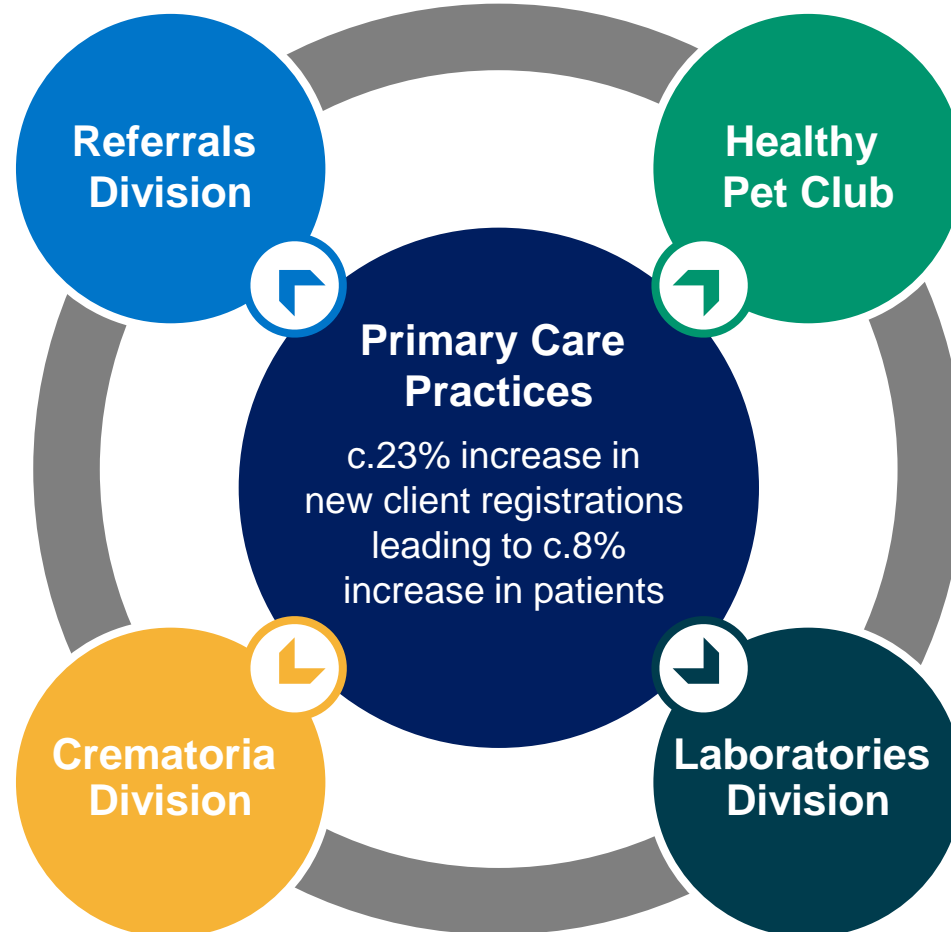
## STRATEGIC PILLAR 1: We recommend and provide the best clinical care every time

### 31% Increase in Caseload

- Internalisation of CVS referrals
- Vet Oracle Business offering vet-to-vet telemedicine

### 11.1% Revenue Growth

- Direct Pet Cremation project launched in Q4
- Increase in individual cremation and premium caskets



### 8.4% Growth in Scheme Members

- Humanisation of pets driving increased focus on preventative care
- Return of practice colleagues and clients to waiting rooms

### 32.7% Revenue Growth

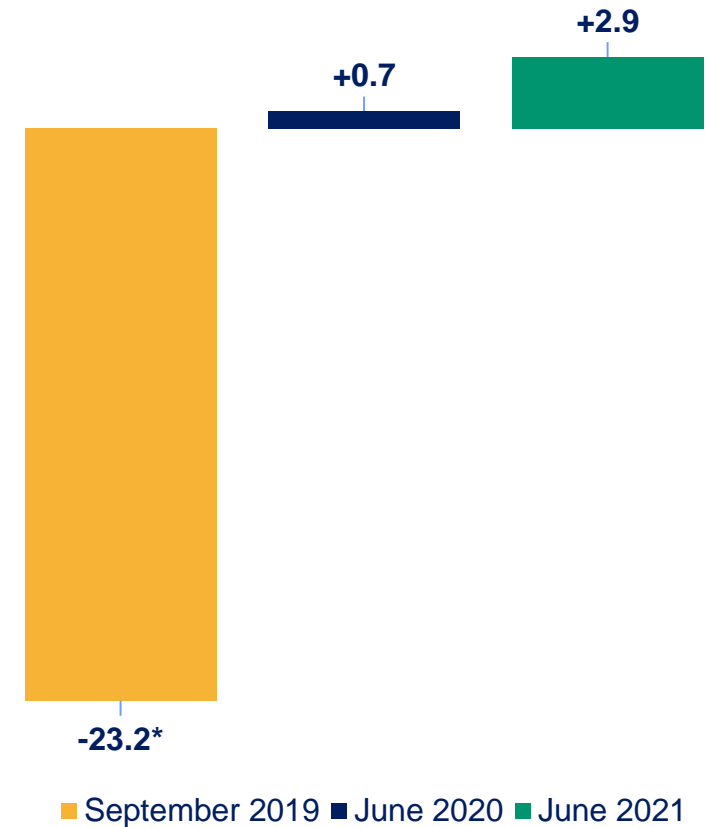
- c.£1m COVID-19 Testing
- Clinical focus on diagnostics in practice

# We Continue To Focus On Our People

## STRATEGIC PILLAR 2: We are a great place to work and have a career

- Colleague satisfaction is critical to achieving our vision of being the veterinary company people most want to work for
- Key initiatives undertaken during the year have included:
  - Advance of a proportion of year-end bonuses to front line colleagues during FY 2021 Q3
  - ‘Thank-holiday’ additional day’s leave in December 2020
  - Industry-leading colleague wellbeing programme
- Since June 2021 we have also implemented a number of additional changes to ensure we stay ahead of the market, all funded by the July 2021 price rise 6% (net 4%):
  - Acceleration of pay review to July, to align with start of new financial year
  - Movement of bonuses for clinicians into fixed salary in response to feedback and market research
  - Enhanced holiday scheme from 2022 calendar year, with an additional day’s holiday for each year of service up to a maximum of 5 years

### Employee Net Promoter Score



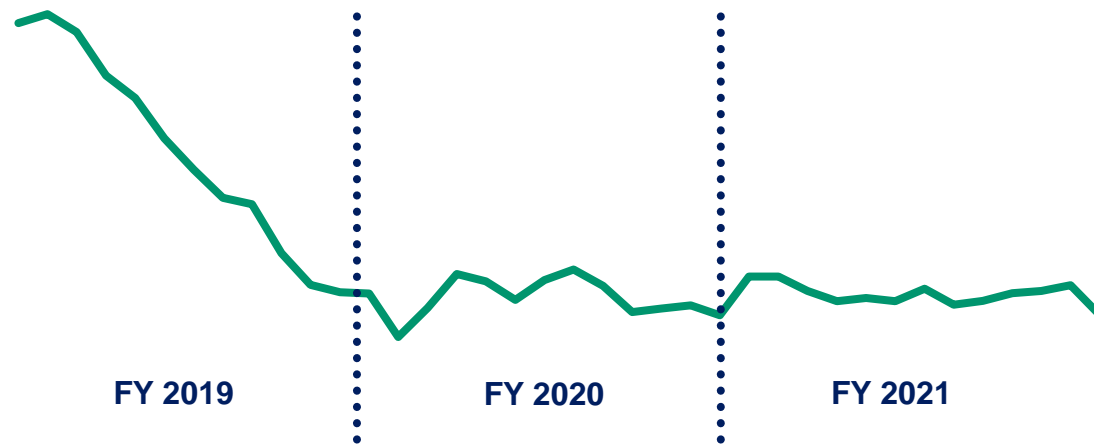
\*First measured in September 2019

# We Have Significantly Grown Our Number Of Clinicians

## STRATEGIC PILLAR 2: We are a great place to work and have a career

- As the market continues to grow strongly we have been able to attract significantly more clinicians
- More vacancies being advertised to capitalise on this growing market has slightly increased the vet vacancy rate

### Attrition has reduced due to focus on our people

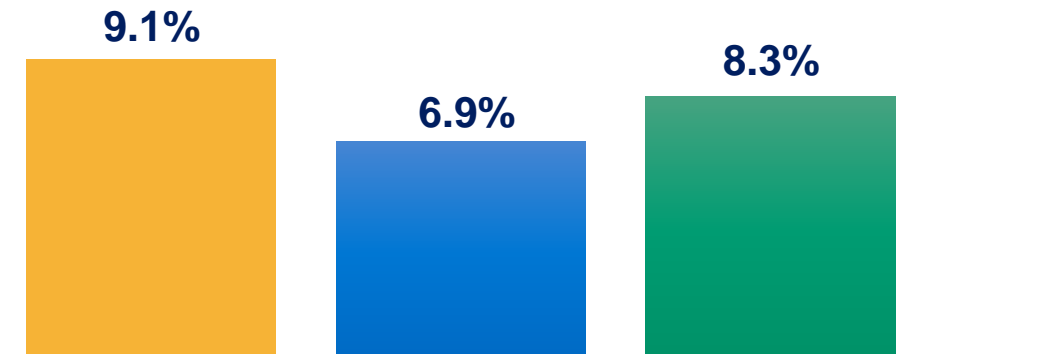


**+10.2%**  
Vets Employed



**+8.0%**  
Nurses Employed

### Vet Vacancy rate



# Summer Camp For New Graduates

## STRATEGIC PILLAR 2: We are a great place to work and have a career

### Overview

115 of our new graduate intake attended our new summer camp, held at Surrey University to provide them with a great induction and key skills to take into practice.

*“I found summer camp to be enormously helpful and fun. It was lovely to meet everyone and feel so supported. I learned so much and feel it will really ease the transition to working in real practice for the first time. Thank you!!!...”*

*“I loved summer camp, the whole program has been amazing and given me so much confidence. Getting to meet new people and supportive vets has made such a difference too...”*

*“Absolutely fantastic, felt very supported and welcomed makes me very excited to be joining CVS! Felt as though it boosted my confidence in a whole range of subjects, couldn't advocate it more!....”*



# Increased Investment In Our Facilities And Clinical Equipment

## STRATEGIC PILLAR 3: We provide great facilities and equipment

### Overview

- We continue to see significant opportunity for returns in refurbishments and relocations of our existing facilities
  - Enhanced ability to do high quality clinical work
  - Improved work environment has marked impact in improving recruitment and retention
  - Improved client experience
- Alongside these investments we are investing in high level equipment to facilitate great clinical care
- c£4.0m spent on medical equipment including CT and MRI



13

Practice Relocations  
and Refurbishments



9

Practice  
Acquisitions



40

Keyhole Neutering  
Practices Launched



£4.0m

Clinical  
investment



# Case Study – Rosemullion Veterinary Hospital

## STRATEGIC PILLAR 3: We provide great facilities and equipment

### Overview

- Primary care and advanced practitioner practice in the South West
- Relocation from traditional converted residential facilities
- Dramatic increase in client parking
- Doubling of consultation room capacity
- Installation of CT scanning suite alongside cardiology and traditional digital radiology suites
- Doubling of theatre capacity to ensure patients access to surgery wherever necessary
- Opened August 2021



# Case Study – Bristol Vet Specialists

## STRATEGIC PILLAR 3: We provide great facilities and equipment

### Overview

- Flagship hub for small animal pet owners in the South West and Wales
- Upgraded specialist referral facility for CVS in Bristol
- Building on the success of Highcroft Veterinary Referrals, which has now reached capacity
- Custom-built with uniquely designed facilities, installing state-of-the-art diagnostic tools, such as MRI and CT scanners
- Cutting-edge Elekta Infinity stereotactic linear accelerator (“Linac”) – the only one of its kind for pets in England
- The hospital is scheduled to open in Summer 2022





# Outlook



# 2 Month Highlights



**+17.5%**

**Total Sales Growth**



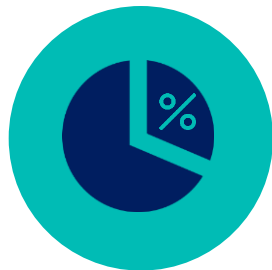
**+14.4%**

**Like-for-Like  
Sales Growth<sup>1</sup>**



**0.70x**

**Leverage<sup>2</sup>**



**19.5%**

**Adjusted EBITDA<sup>3</sup>  
Margin**



**8.8%**

**Average LTM Vet Vacancy  
Rate**



**455,000**

**Healthy  
Pet Club members**

<sup>1</sup> Like-for-like sales are defined as revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2019, revenue is included in the like-for-like calculations from September 2020.

<sup>2</sup> Leverage on a bank test basis is drawn bank debtless cash at bank; divided by 'Adjusted EBITDA' annualised for the effect of acquisitions and including costs relating to business combinations and excluding exceptional items and share option costs. Adjusted EBITDA is profit before income tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items, prior to the adoption of IFRS 16.

<sup>3</sup> Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.



# Foundations Are In Place For Further Growth



**Any  
Questions?**





# Appendix



# Adjusted EBITDA, Adjusted PBT and Adjusted EPS

| Reconciliation of adjusted EBITDA (£m)   | FY 21       | FY 20       | MVT         | H1 21       |
|--|-------------|-------------|-------------|-------------|
| Adjusted EBITDA*                         | 97.5        | 71.0        | 26.5        | 45.1        |
| Adjusted for:                            |             |             |             |             |
| Finance expense                          | (7.0)       | (8.6)       | 1.6         | (3.6)       |
| Depreciation                             | (24.3)      | (24.2)      | (0.1)       | (11.8)      |
| Amortisation of intangible assets        | (23.8)      | (22.2)      | (1.6)       | (10.6)      |
| Costs relating to business combinations  | (9.3)       | (0.7)       | (8.6)       | (4.3)       |
| Exceptional items                        | -           | (5.4)       | 5.4         | -           |
| <b>Profit before income tax</b>          | <b>33.1</b> | <b>9.9</b>  | <b>23.2</b> | <b>14.8</b> |
| Amortisation of intangible assets        | 23.8        | 22.2        | 1.6         | 10.6        |
| Costs relating to business combinations  | 9.3         | 0.7         | 8.6         | 4.3         |
| Exceptional items                        | -           | 5.4         | (5.4)       | -           |
| <b>Adjusted profit before income tax</b> | <b>66.2</b> | <b>38.2</b> | <b>28.0</b> | <b>29.7</b> |
| Tax on adjusted profit                   | (13.1)      | (8.5)       | (4.6)       | (6.2)       |
| <b>Adjusted profit after income tax</b>  | <b>53.1</b> | <b>29.7</b> | <b>23.4</b> | <b>23.5</b> |
| Weighted average number of shares (No.)  | 70,685,939  | 70,654,009  | 31,930      | 70,654,959  |
| <b>Adjusted earnings per share* (p)</b>  | <b>75.1</b> | <b>42.0</b> | <b>33.1</b> | <b>33.3</b> |

\* Financial measures are defined on slide 33

Annual Results Presentation: Year ended 30 June 2021, FY 2021



# Cash Generation

| Summary                                       | FY 21         | FY 20         | MVT           | H1 21         |
|---|---------------|---------------|---------------|---------------|
| Adjusted EBITDA*                              | 97.5          | 71.0          | 26.5          | 45.1          |
| Working Capital Movements                     | (7.5)         | 25.8          | (33.3)        | 7.6           |
| Deferred consideration payments               | (9.7)         | (2.0)         | (7.7)         | (0.4)         |
| Capital Expenditure – Maintenance             | (8.2)         | (8.7)         | 0.5           | (4.4)         |
| Repayment of right-of-use liabilities         | (13.0)        | (14.2)        | 1.2           | (6.2)         |
| <b>Business Operating Cash Flow</b>           | <b>59.1</b>   | <b>71.9</b>   | <b>(12.8)</b> | <b>41.7</b>   |
| <b>Business Operating Cash Conversion (%)</b> | 60.6%         | 101.3%        |               | 92.5%         |
| Taxation paid                                 | (13.0)        | (9.5)         | (3.5)         | (6.3)         |
| Net Interest paid                             | (7.1)         | (7.0)         | (0.1)         | (3.9)         |
| <b>Free Cash Flow</b>                         | <b>39.0</b>   | <b>55.4</b>   | <b>(16.4)</b> | <b>31.5</b>   |
| Capital Expenditure – Investment              | (8.4)         | (3.7)         | (4.7)         | (1.8)         |
| Acquisitions – Investment                     | (19.4)        | (7.2)         | (12.2)        | (10.6)        |
| Dividend                                      | -             | (3.9)         | 3.9           | -             |
| Other financing activities                    | 1.0           | (31.6)        | 32.6          | -             |
| <b>Net Inflow / (Outflow)</b>                 | <b>12.2</b>   | <b>9.0</b>    | <b>3.2</b>    | <b>19.1</b>   |
| <b>Net Bank Borrowings*</b>                   | <b>(51.3)</b> | <b>(63.5)</b> | <b>12.2</b>   | <b>(44.4)</b> |

\* Financial measures are defined on slide 33

# Definitions

**Like-for-like sales** are defined as revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2019, revenue is included in the like-for-like calculations from September 2020

**Adjusted EBITDA** is profit before income tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items

**Adjusted profit before income tax** is calculated as profit on ordinary activities before taxation, amortisation, costs relating to business combinations and exceptional items

**Adjusted earnings per share** is calculated as adjusted profit before income taxation less an appropriate tax charge to derive adjusted profit after taxation divided by the weighted average number of ordinary shares in issue in the year

**Leverage** on a bank test basis is net bank borrowings; divided by 'Adjusted EBITDA' annualised for the effect of acquisitions and including costs relating to business combinations but excluding share option costs and exceptional items. Adjusted EBITDA is profit before income tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items, prior to the adoption of IFRS 16

**Net bank borrowings** is drawn bank debt less cash at bank

# Thank You